

May 11, 2012

BY HAND DELIVERY & ELECTRONIC FILING

**SUBJECT TO SECOND SUPPLEMENTAL PROTECTIVE ORDER IN WC
DOCKET NOS. 05-337 AND 10-90 BEFORE THE FEDERAL
COMMUNICATIONS COMMISSION – REDACTED FOR PUBLIC INSPECTION**

Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, SW
Washington, D.C. 20554

Re: *Developing a Unified Intercarrier Compensation Regime, et al.*, CC
Docket Nos. 01-92 and 96-45, WC Docket Nos. 03-109, 05-337, 07-
135 and 10-90, WT Docket No. 10-208, and GN Docket No. 09- 51

Dear Ms. Dortch:

On behalf of Alaska Communications Systems Group, Inc. ("ACS"), please associate the enclosed questions and requests for documents with the Commission's *Further Notice* in the above-captioned proceedings, and specifically the modeling efforts associated with Phase II Connect America Fund ("CAF") support for price cap carriers.¹

The Wireline Competition Bureau is undertaking to ensure that any model it selects for the calculation of Phase II CAF support will accurately estimate the costs of an efficient wireline-based provider of fixed voice and broadband services in *all* areas of the country, including Alaska, and thereby calculate the amount of support to be made available in areas served by price cap carriers.² Any model the Commission adopts, along

¹ *Connect America Fund et al.*, Report and Order and Further Notice of Proposed Rulemaking in WC Docket No. 10-90 *et al.*, FCC 11-161 (rel. Nov. 18, 2011) (the "*USF/ICC Transformation Order*" and the "*Further Notice*"). See also *Request for Connect America Fund Cost Models*, FCC Public Notice in WC Dockets 10-90, 05-337, DA 11-2026 (Wireline Competition Bur. rel. Dec. 15, 2011) (the "*Cost Model Public Notice*").

² *USF/ICC Transformation Order* at para. 188.

**SUBJECT TO SECOND SUPPLEMENTAL PROTECTIVE ORDER IN WC
DOCKET NOS. 05-337 AND 10-90 BEFORE THE FEDERAL
COMMUNICATIONS COMMISSION – REDACTED FOR PUBLIC INSPECTION**

Marlene H. Dortch, Secretary
Federal Communications Commission
May 11, 2012
Page 2 of 3

with the input values used to determine support amounts in particular areas, must be available for review by the public. The “model and all underlying data, formulae, computations, and software associated with the model must be available to all interested parties for review and comment. All underlying data should be verifiable, engineering assumptions reasonable, and outputs plausible.”³ Moreover, the public must have access to the underlying source code as well as the input data, in order to be able to test the model and offer modifications to it, for example, by changing input values, running sensitivity tests, and comparing the results of various runs of the model.⁴ To date, the only models submitted in this process are the CQBAT model and the ACS model.

The attached questions and requests for documents arise from examination by Dave Blessing of Parrish Blessing & Associates and myself, on behalf of ACS, of the materials obtained pursuant to the Commission’s Second Supplemental Protective Order in these proceedings⁵ permitting access to the CQBAT model, and conversations by Mr. Blessing and myself with representatives of CostQuest and the proponents of the CQBAT model. ACS has a number of concerns about the use of the CQBAT model, including:

- whether the information provided thus far is insufficient for third-party analysis of the cost inputs used in the model, including the derivation of equipment cost input values, labor rates and loadings, and cost of capital;
- whether access to the model’s mechanisms has been insufficient to allow meaningful third-party analysis of the assumptions underlying the model, including engineering and depreciation assumptions, and
- whether CQBAT has set up reasonable processes to permit third-parties to verify model outputs and evaluate changes in different variables.

ACS also has expressed concern that the CQBAT model does not adequately capture Alaska costs. For example, ACS has demonstrated that entire categories of Alaska costs were omitted from the CQBAT model, including:

- the undersea cable cost associated with transporting broadband Internet traffic from Alaska to the nearest Internet access point, which is not located at a tandem-switching facility in the state but

³ *USF/ICC Transformation Order* at para. 185.

⁴ *Cost Model Public Notice* at para. 4.

⁵ *Connect America Fund*, Second Supplemental Protective Order in WC Docket Nos. 05-337 and 10-90, DA 12-193 (rel. Feb. 10, 2012).

**SUBJECT TO SECOND SUPPLEMENTAL PROTECTIVE ORDER IN WC
DOCKET NOS. 05-337 AND 10-90 BEFORE THE FEDERAL
COMMUNICATIONS COMMISSION – REDACTED FOR PUBLIC INSPECTION**

Marlene H. Dortch, Secretary
Federal Communications Commission
May 11, 2012
Page 3 of 3

- rather at a point that is typically a thousand miles or more distant, in Seattle or Portland, Oregon;
- the non-fiber transmission cost of transporting voice and data traffic between the serving wire center and other aggregation points in the network, which in many parts of Alaska occurs not via fiber optic cable but rather via satellite or point-to-point microwave facilities; and
- the fuel, labor and transportation costs of operating and maintaining remote serving wire centers and microwave facilities.

ACS believes that the questions and requests for additional documentation submitted herewith merit require response by the CQBAT proponents, in order to ensure that the input values, computations, and formulae embodied in the CQBAT model can be fairly examined and understood by the Commission and other parties.

Because the enclosure filed herewith is derived from files containing Protected Materials under the Second Supplemental Protective Order, ACS treats the entire document as Highly Confidential Information as defined in the Second Supplemental Protective Order. Therefore, ACS has marked each page of the enclosure as required in paragraph 11 of the Second Supplemental Protective Order, and files it under seal. In addition, ACS is filing today two copies of this cover letter marked “REDACTED – FOR PUBLIC INSPECTION” not containing the enclosure of Highly Confidential Information. ACS also provides under seal two copies of the Highly Confidential Filing for Katie King and Steve Rosenberg per the Bureau’s request.

Please direct any questions regarding this matter to me.

Very truly yours,

Karen Brinkmann
*Counsel to Alaska Communications Systems Group,
Inc.*

Enclosure REDACTED FOR PUBLIC INSPECTION

cc: Steve Rosenberg, Wireline Competition Bureau
Katie King, Wireline Competition Bureau Telecommunications Access Policy
Division

**SUBJECT TO SECOND SUPPLEMENTAL PROTECTIVE ORDER IN WC
DOCKET NOS. 05-337 AND 10-90 BEFORE THE FEDERAL
COMMUNICATIONS COMMISSION – REDACTED FOR PUBLIC
INSPECTION**

**ACS Questions Concerning CQBAT Model and Requests For Support Documents
May 11, 2012**

HIGHLY CONFIDENTIAL -- REDACTED IN ENTIRETY